

Message Text

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PAGE 01 LONDON 06327 222335Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 COME-00 TRSE-00 L-03
H-02 SP-02 ICA-20 AID-05 NSC-05 SS-15 STR-07
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5410

UNCLAS LONDON 06327

E.O. 11652: N/A
TAGS: EPAP, ETRD
SUBJECT: SUGAR -- THE SETTING OF THE LONDON DAILY SPOT
PRICE

REF: LISSAKERS-THIGPEN TELCON

DEPARTMENT PASS TO KAREN LISSAKERS SENATE FOREIGN
RELATIONS COMMITTEE

1. LONDON SUGAR EXCHANGE SPOT COMMITTEE CONSISTS OF 5
LONDON SUGAR BROKERS. THE CHAIRMAN OF THE COMMITTEE
ROTATES EACH MONTH. THE COMPANIES REPRESENTED ARE C.
CZARNIKOW, E. D. & F. MANN, WOODHOUSE DRAKE AND CAREY,
GOLADETZ AND E. A. DEPAS. THE COMMITTEE DOES NOT HAVE A
REFINER REPRESENTED, ALTHOUGH AT ONE TIME A TATE & LYLE
REPRESENTATIVE ATTENDED COMMITTEE MEETINGS' THE
COMMITTEE MEETS ON THE SUGAR EXCHANGE AT 11.00 A.M.
EACH DAY, 5 MINUTES AFTER THE CLOSE OF TRADING. ITS
DECISIONS ARE IMMEDIATELY FORWARDED TO THE CHAIRMAN OF
FLOOR TRADING.

2. THE COMMITTEE DETERMINES A REPRESENTATIVE PRICE FOR
FREE WORLD MARKET SUGAR FREELY AVAILABLE. THE PRICE
DETERMINED IS A CIF FREE AND OUT PRICE. SINCE IT IS A
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CIF PRICE, THE COMMITTEE MUST ALSO INCLUDE A FREIGHT
QUOTATION EACH DAY. THE COMMITTEE IS GIVEN WIDE
LATITUDE IN ITS CHOICE OF BIDS AND TRANSACTIONS, AND
CAN IGNORE WHAT IT CONSIDERS TO BE SPURIOUS INFORMATION.

3. THE COMMITTEE TAKES INTO ACCOUNT NEW YORK, LONDON
AND PARIS FUTURES MARKETS WHEN IT HAS TO SET THE PRICE

BASED ON MARKET TONE BECAUSE ACTUAL BIDS OR TRANSACTIONS ARE NOT AVAILABLE. ON THE OTHER HAND, THE COMMITTEE CAN AVOID PRICE MAKING IF IT SO DESIRES BY IGNORING TONE OR FUTURES TRENDS.

4. THE LDP COMMITTEE HAS MUCH MORE LATITUDE THAN THE US SUGAR EXCHANGE SPOT COMMITTEE, SINCE THE US SPOT COMMITTEE WAS REQUIRED TO USE ANY TRADE OF OVER 4,000 TONS AS A PRICE SETTER. THE LDP COMMITTEE IS NOT REQUIRED TO RECOGNISE ANY PARTICULAR TRANSACTIONS IN ITS RULES. STREATOR

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